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AFRICA AND A GLOBAL SYSTEM OF TRADE PREFERENCES AMONG DEVELOPING COUNTRIES (GSTP)

(Note by the ECA and OAU secretariats)

M81-1950

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INTRODUCTION

1. The first serious attempt in making a more concrete identification of economic co-operation programmes among third-world developing countries occured during the Mexico Conference on Economic Co-operation among Developing Countries (ECDC) in September 1976. Thereafter, several programmes have been discussed at various international fora with the participation in many cases, of the developed countries. Specific results of such discussions include the establishment within UNCTAD i.e. of a Committee on ECDC; the setting up of a specific section in ECA responsible for monitoring ECDC issues in the fields of trade and finance; restructuring and strengthening the economic department of OAU; and the adoption of definite work programmes on ECDC by UNCTAD and other United Nations agencies.

2. Consequently, a considerable amount of work has gone into the formulation of clear positions on the various programmes not only by UNCTAD, but also by OAU and ECA. Secondly, several inter-governmental discussions have been organized for developing countries' representatives and experts with the objective of further defining the concepts and providing guidelines for more detailed work in this field.

3. The latest but not least in the series of important regional pronouncements in this field was made by the OAU Heads of State and Government during the second extraordinary session of their Assembly in Lagos in April 1980. They not only took as a point of departure i.e. the various factors hampering the development of the African continent, but also recalled the Monrovia Declaration of Commitment on Guidelines and Measures for national and collective self-reliance in the Social and Economic Development for the Establishment of a New International Economic Order. Thus the Lagos Summit called for systematic exploitation and exploration of trade and economic co-operation potentials with other developing regions and countries. The Summit noted the adoption of the proposal for a generalized system of trade preferences among developing countries by the interregional meeting on ECDC held in Geneva in March/April 1980. The creation by the inter-regional meetings of a Committee on the Generalized System of Trade Preferences implies that Africa should be adequately prepared for the negotiations. The secretariats of the Organization of African Unity and the Economic Commission

for Africa were therefore called upon to provide the necessary logistic support for African participation in the negotiations on the GSTP among developing countries 1/.

Similarly, the Ministerial Follow-up Committee on International Trade and Finance for African Development 2/ restated that the two secretariats (OAU and ECA) should convene a preparatory meeting of the African delegations prior to the second session of the meeting of Government Experts of Developing Countries on ECDC ... to prepare the African position in the negotiations on the establishment of a Global System of Trade Preferences among developing countries and to ensure effective participation of the African delegations in that meeting 3/.

1/ Lagos Plan of Action for the Economic Development of Africa 1980 - 2000, chapter VII, para. 251 (a) (A/S-11/14, annex I).

2/ The Ministerial Follow-up Committee on International Trade and Finance for African Development was created as a forum intended to :

(a) Monitor the implementation of the African Strategy in the field of international trade and finance as part of the overall development strategy for Africa;

(b) Co-ordinate, harmonize and prepare the African position on issues relating to international trade and finance for development;

(c) Review from time to time progress made in the implementation of multilateral agreements between African countries and the outside world in the field of international trade and finance.

3/ ECA/OAU, "Recommendation 2 : Africa and economic co-operation among developing countries" Report of the first meeting of the Ministerial Follow-up Committee on International Trade and Finance for African Development, E/CN.14/MFI/140 - EDECO/TD/1, 9 to 11 March 1981, Addis-Ababa.

4. A global system of trade preferences (GSTP) among developing countries is the first among the three priority areas in the work programme on ECDC. The first meeting of Intergovernmental Group of Experts of Developing Countries was convened in Geneva from 3 to 17 November 1980 to discuss all aspects relating to the establishment of GSTP. Most of the discussions during the meeting were exploratory in character and therefore no definitive decisions can be said to have emerged.

5. It is, however, noteworthy that some of those meetings adopted tentative programmes detailing work and further studies. In particular, the first IGG meeting held in Geneva in November 1980, adopted a programme for further studies as a necessary input into the deliberations expected to take place during the second session of IGG to be held in July/August 1981. Thus, the first session of IGG represented the actual attempt to translate into concrete action the various declarations of principles and commitment to GSTP.

6. Developing Africa does not propose to run against the current thinking of the Group of 77. Nevertheless, it must be restated that GSTP should not lose sight of Africa's interests. After all, 22 of the 30 least developed countries are to be found in Africa. Equally important also is the fact that it is the developing African countries which are relatively less industrialized than all the developing regions of the Third World.

7. It is partly against the above background that this paper analyses the issues under five separate sections. The first section analyses the general nature of preferences, their implications and justification. Section two is a summary of the most salient features of the UNCTAD proposals on GSTP contained in document TD/B/C.7/42 accompanied by a very short observation from the OAU/ECA African point of view. Section three gives a brief overview of some of the main elements of the tariff approach. Section four looks into whether a GSTP will be able to contribute to the economic development of the African economies within the context of the Lagos Plan of Action and the Final Act of Lagos. Section five concludes with a suggested approach to a GSTP and takes account of the limited experience of preference shemes among developing countries and the likely impact on some of the region's own on-going integration experiments.

I. THE NATURE OF PREFERENCES

8. The nature of preferential arrangements with which developing Africa may be associated within the context of GSTP has partly been analysed in the various documents listed in the annex to this paper. In general, they involve an arrangement under which participating countries agree to reduce or grant each other tariff concessions in order to increase trade among themselves. Such reductions could also apply to non-tariff barriers to trade. Two alternatives to this approach can be considered. One approach is that of a uniform rate of tariff reductions applicable to all products or a list of some products. Alternatively, a system under which each participant indicates the products or product groups on which it wishes to reduce tariffs as well as the rate of such reductions.

9. Under the second alternative, each country would naturally have to take account of the nature of its economy, and in particular i.e. certain major external factor inputs. In other words, it would need to justify its participation on the basis of such factors as the possibility of trade creation, trade diversion or loss of revenue etc.

10. It is a prerequisite of all preferential arrangements that the participating countries should at least have items which are likely to benefit from such preferential tariff cuts or privileges in the system. It is also a cementing factor that participating countries should enter both the negotiations and the subsequent implementation with a sound internal domestic economic structure. Needless to say, that thorough country-level preparations should be undertaken before adopting regional position on the issue.

II. A. Summary analysis of the UNCTAD proposal

11. Document TD/B/C.7/42 was in fact the only document before the first session of the Intergovernmental Group of Experts of Developing Countries on a GSTP. Thus, it represented the first attempt by the UNCTAD secretariat at proposing concrete actions, measures, modalities and steps to implement the agreed principle i.e. establishing a global system of trade preferences among developing countries (GSTP).

Consequently, in the document attention is concentrated on developing a few major components. It also laid stress on some main features of a first stage of negotiations for GSTP, including such elements as indicative targets, tariff preferences, non-tariff barriers, direct trade measures, sectoral approach, rules of origin, safeguards, the issue of the framework and institutional mechanisms and timeframe. This paper therefore proposes to analyse each one of these elements.

(i) Indicative targets

12. The ministerial and intergovernmental meetings recommended that developing countries should set themselves, at the national level, indicative targets for increasing mutual trade through a variety of measures. Thus, the UNCTAD document suggests that countries with a relatively low percentage of imports from other developing countries should aim at a faster than average growth of such imports, while those with higher than average shares should aim at maintaining or increasing further the level already attained. It should be noted that this latter category of countries includes those that have relatively higher levels of development and fairly well established production and commercial infrastructures compared to those of other developing countries.

(ii) Tariff preferences

13. The Ministers recommended that a GSTP should aim at a progressively intensified relationship between traditional tariff concessions and non-tariff concessions and measures in other areas of economic co-operation.

14. As a way of achieving these negotiating objectives, document TD/B/C.7/42 discusses various negotiating modalities. For example, the linear and item-by-item approaches or a combination of both, etc. with the objective of establishing an effective margin of tariff preferences. The main emphasis however, is on multilaterally negotiated tariff reductions among developing countries. The document shows a clear preference for the linear approach on grounds of simplicity and uniformity of commitment by all developing countries, while the other approach would be reserved for certain exceptional circumstances, since it is argued it would be cumbersome and time-consuming.

(iii) Least developed countries

15. Document TD/B/C.7/42 provides useful suggestions on how the general commitments of the ministerial meeting could be translated into specific measures in favour of the least developed countries. This is in addition to restating the commitment of the ministerial and interregional meetings regarding special non-reciprocal trade preferences for least developed countries, within a general framework of multilateral tariff reductions among developing countries.

(iv) Non-tariff barriers

16. The ministerial and interregional decisions and commitments on GSTP cover relaxation of both tariff and non-tariff barriers to intra-developing country trade. Document TD/B/C.7/42 alludes to the immense difficulties on non-tariff barriers negotiations by comparing them with tariff negotiations. While in the latter, tariff concessions which constitute the negotiating targets are easily defined and negotiable, non-tariff barrier negotiations are complicated by the limitless variety and scope of the barriers which make negotiating objectives nothing other than a mere statement of principle.

(v) Long-term contracts and other direct trade measures

17. Paragraph 79 of document TD/B/C.7/42 asserts that while tariff preferences provide facilities to exporters their use depends on many other factors; measures in the above areas are directly geared to establishing specific contracts or contract conditions and can therefore exert a direct effect on trade flows. These measures and mechanisms are also among some of the components identified by the Arusha ministerial meeting for incorporation in GSTP.

(vi) Sectoral approach

18. Document TD/B/C.7/42 has a tariff-based approach. In other words, a reduction of tariff and non-tariff barriers on a sectoral basis (e.g. meat and meat products; foodstuffs and vegetable oils).

(vii) Rules of origin and safeguards

19. It is proposed that the rules of origin should be development oriented and based on the principle of cumulative treatment and should ensure that preferences benefit national production and the development process, in particular in the least developed countries. The document also contains suggestions on specific criteria for determining origin, as well as on the application of safeguards in case of serious damages to certain industries. The underlying principle is mutuality of advantages.

(viii) Framework agreement

20. Document TD/B/C.7/42 emphasizes the need for concessions, within a framework agreement, to be legally binding and indicates the broad nature of such agreement.

B. Reflection on the African Standpoint

21. The analysis of the UNCTAD proposals contained in document TD/B/C.7/42 from the African point of view should take the main recommendations of the ministerial and the intergovernmental meetings as a point of departure.

(i) Indicative targets

22. Attention has been drawn to some of those measures embodied in GSTP and those brought about by subregional and regional grouping to the effect that the choice of measures and the setting of indicative targets became first and foremost, the responsibility of each country within its general trade policy measures. The extent to which such targets have been met would be an ex post facto exercise. However, the suggestions on how they could be met would have implications for policy measures, aside from the fact that there is a tendency to overlook the existing disparity in the levels of development of developing countries.

23. It is therefore important that indicative targets should be national in character and more a function of the level of development than in an inverse relationship to the percentage share in import volume from developing countries.

(ii) Tariff preferences

24. The UNCTAD document seems to interpret the issue of tariff preferences and the ministers recommendation on GSTP as a progressive reduction in tariff and non-tariff barriers and the establishment of an effective margin of preferences among developing countries, on the basis of global multilateral negotiations among developing countries.

25. It must however be stated that the need for certain factors must be recognized for the development of interregional trade among developing countries within the context of GSTP. For instance, emphasis must be placed on the need for pregressively building linkages between tariff preferences and economic co-operation measures in such areas as production, marketing, payments, finance and transport.

26. It is also important to pay particular attention to aspects of the extension of concessions, the duration of concessions, provision for the maintenance of their value and procedures for their negotiations within the context of most of the elements referred to above.

(iii) Non-tariff barriers

27. The negotiating techniques suggested in document TD/B/C.7/42 for non-tariff barriers are certainly more complicated than those for tariff concessions and would involve an expanded bureaucratic machinery in all countries where such non-tariff restrictions operate, aside from the protracted and cumbersome negotiations that would be inevitable. Thus, a much more elaborate array of information and data on all aspects of trade regimes and regulations covering foreign exchange, licensing procedures, quotas, prohibitions, bilateral agreements, etc., will need to be provided.

(iv) Long term contracts and other direct measures

28. Certain other points need to be emphasized in terms of the economic advantages to be derived from the full utilization of direct trade measures and long-term contracts, such as those identified in the UNCTAD document, irrespective of the economic system pursued by the participating developing countries.

A majority of developing countries have established central marketing organizations or state trading organizations. It is therefore important to work out an approach of measures and actions geared to strengthening such organizations and building new ones and thereafter, bringing them together in a multilateral forum to "talk business". The underlying question is whether this approach would be negotiable within a GSTP multilateral framework, and if it were, what aspects should be negotiated first. The nature of the contracts, pricing and payment arrangements, compensatory or buy-back arrangements, are but a few of the aspects which come to mind.

29. However, this whole issue would need to be considered against the current dominance of transnational corporations whose activities already cover a much wider area of both the import and the export sectors in most developing countries[4/].

(v) Sectoral approach

30. To date, a considerable number of such formulas have been proposed and discussed at great length, but there has been no reliable indication as to which among them stands a better chance of success. Thus, the UNCTAD document has not really broken any new ground in this area and is at best complementary rather than primary. Hence, the search for appropriate techniques must continue alongside the more general approaches of trade liberalization.

(vi) Rules of origin and periodic reviews

31. Some of the elements analysed in chapter IV.F of document TD/B.C.7/33 should be seen as an integral part of the contents of document TD/5/C.7/33, parts I and II, and those in TD/B/C.7/42 when determining the general nature of the rules of origin. These should therefore be closely linked to the negotiating approaches themselves. However, the rules of origin cannot be predetermined outside the main GSTP framework.

4/ ECA, Transnational Corporations in Africa: Some Major Issues (E/CN.14/703). This paper was presented to the fourteenth session of the Conference of Ministers held in Rabat in 1979, and attempted to identify most the major activities of transnationals in Africa as a basis for further investigation of their possible impacts on the social and economic development of the region.

(vii) Framework agreement

32. This could be the most difficult area given the polarity in group interests. An element that has not been fully analysed so far (TD/B/C.7/33 and TD/B/C.7/42) relates to the coverage of products which after all in a function of production or industrialization at the national level. It is therefore important, as stated in paragraph 26 above, to pay particular attention to aspects of the extension of concessions and the exceptions thereto, the duration of concessions, provisions for the maintenance of their value and procedures for their negotiation within the context of most of the elements referred to above.

33. Three additional elements also come to mind. First, institutional changes are likely to arise from the agreed procedures. In other words, there should be provision for some flexibility. For instance, the example of tariff bindings have seemed to be generally effective, yet frequent departures from other rules have tended not only to weaken but also to damage permanently certain parts of the system as a whole, thereby diminishing its dependability, forcing participating countries (or contracting parties) to seek remedies which are inconsistent with or outside agreed systems such as GATT. Secondly, there is need to guard against a possible proliferation of fora and/or ad hoc committees set up to deal with whatever new problems arise. Third is the need to focus attention on possible sanctions which could be applied for non-compliance.

34. The question of proliferation of fora could be a major constraint for a majority of developing African countries. After all, most of these countries are faced with serious financial as well as human problems in terms of technical capability, unlike most of their counterparts in the Asian and Latin American regions. The question of sanctions for non-compliance should be closely linked with the establishment of arbitration tribunals. It is therefore recommended that Article XXII of GATT should be reviewed to see how it could be better adapted to GSTP.

III. OVERVIEW OF SOME OF THE MAIN ELEMENTS

35. There is no need to belabour the main objective of a GSTP in view of the many studies and meetings which have preceded this analysis, except perhaps to stress the underlying objective of a GSTP, namely to be an effective framework or an instrument for increasing trade and economic co-operation among developing

countries. The immediate concern relates to the nature of the GSTP to be developed. bearing in mind the need for it to mutual benefits for all participating developing countries.

36. The question of the abolition of tariff and non-tariff barriers requires careful consideration. For instance, there is a need to establish whether trade links already exist or not between and among developing countries, and African countries in particular. Similarly, there is need to assess some of the resulting implications from such reductions or abolition, weighed against any possible increase in trade flows. Some of these questions must be viewed against the root causes of the current low volume of trade among developing countries. After all, the existence of excessively high tariff walls is not the sole reason for the low level of trade between Africa and the other developing countries. Thus, it would be erroneous to believe that the removal or reduction of tariff and non-tariff barriers would automatically lead to trade expansion.

37. There are other elements which are necessary in order for the envisaged GSTP to work, apart from the removal or reduction of tariff walls. One of these is the need to develop a good information system as spelt out in document ITC/DTC/312 (Market information and commercial links as vital elements in the development of trade). Most African countries do not collect or disseminate up to date market information to facilitate intra-African trade. While there is a wealth of information available in many African countries for trading with countries outside the region, traders in Africa are very often unaware of prices, commercial regulations, supply and demand situations and other commercial information in respect of goods of African origin. Facilities for establishing contacts between potential exporters and importers for trading within the African region are generally of a sporadic nature[5/].

38. The implications of a purely tariff approach for trade patterns are important. Most trade patterns have developed as a result of historical forces, government decisions, the structure of economic control and foreign policy strategies.

5/ See ITC/DTC/312, p.2.

There is a variety of tariff rates applied by developing countries and a careful consideration of any envisaged changes are required before taking a final decision. It could well be that uniform tariff cuts for instance may result in infusing a divisive element among the participating countries instead of bringing them together. A linear approach to tariff rates may also be inappropriate, especially when tariff rates vary across products and countries from less than 10 per cent to over 300 per cent. Lessons in this field could possibly be drawn from the experience of LAFTA, ASEAN and ECOWAS where implementing the linear preferential cuts proved rather difficult.

39. A major specific problem with the tariff-based GSTP is the immediate quantifiable negative effect on revenue which it creates, with varying impact on developing countries depending on their tariff rates. The trade creation aspect is no doubt important, but it could be a mere statistical gimmick, highly uncertain in comparison with the revenue loss that calls for certain corresponding immediate adjustment measures taken in order to alleviate any possible severe economic, social and political problems for a number of African countries.

40. However, there are other technical and logistical problems involved in tariff and non-tariff negotiations as earlier pointed out. The preparatory work for the Tokyo Round is as good an example as any in terms of the long period it took not only to start but also to complete the negotiations themselves. They started as far back as 1967 while the ministerial decision to start the multilateral trade negotiations was taken in Tokyo in 1973 with the actual negotiations starting in 1975. It would seem that as far as the operatory work is concerned a much longer time should be envisaged for the developing countries. A discussion on approaches and modalities as well as a framework for GSTP, negotiations should be preceded by the collection, analysis and dissemination of complete information for all developing countries, on their tariff profiles, trade regimes, regulations in force for product groups and countries and including foreign exchange regulations. The GATT secretariat, at the request of some 60 developing countries, including 20 African Governments, has already prepared a number of country studies on these aspects including matrices of trade flows. It would be important therefore to make use of some of these studies as a starting point.

41. It is very important also to weigh the anticipated trade creating benefits of a tariff-based GSTP against certain political, economic and technical considerations indicated above, for it could very well happen that at the end of the day, after so much effort had been put into it, very few developing countries would be prepared (as was the case with MTN) to sign the GSTP agreement on tariff reductions. Credibility must be matched with realism.

IV. RELATIONSHIP BETWEEN GSTP AND AFRICAN ECONOMIC DEVELOPMENT

42. There is ample evidence of the long term mutuality of interests which could be derived from establishing GSTP. Experience and the nature of foreign trade policies pursued by developing countries in promoting trade point to the need to gradually develop a global system of trade preferences, as an integral strategy of ECDC. Needless to say, African exports to industrial countries have been declining both in volume and value, while imports from those countries have been rising resulting in persistent balance-of-payments deficits and adverse terms of trade. The decline in foreign exchange earnings and the increasing demand on these meagre earnings (as a result of net factor payments and large oil and food import bills) create a situation of serious economic imbalances requiring adequate policies aimed at restructuring African economies.

43. However, the acceptance and implementation of GSTP by participants would mean, in some cases, adjustments not only to national but also to subregional and regional practices and policies. The case for most developing African countries is likely to be much harder because most of their respective national administrations have had little experience in international negotiations. Thus, developing African countries should relate the establishment of a GSTP to their goals of economic growth and development in terms of both their respective national development plans and of the Lagos Plan of Action as well as the Final Act of Lagos.

44. Adoption of the above in April 1980 by the OAU Heads of State and Government merely reiterated, inter alia the pivotal role of trade as an engine of economic growth and development. This step demonstrated vision and statesmanship. Furthermore, it reinforced the necessity for increased self-reliance and self-sustainment and for more effective measures for intra-African co-operation as well as mutual help[6/].

6/ ECA, Biennial Report of the Executive Secretary (1979-1980) E/CN.14/798, p.6.

45. Naturally, it is important to know, given the above information, whether GSTP would contribute to African economic development (and/or the achievement of the objectives of the Lagos Plan of Action), and if so, what type of a GSTP should evolve. The second relevant question is what type of a GSTP would promote intra-African co-operation, in particular the establishment of an African Common Market and an African Economic Community by the year 2000.

46. Basically, a GSTP should be an instrument for promoting trade among developing countries. The composition of both exports and imports in the African situation is very important because it reflects the nature of the economy. In the African context in terms of a greater utilization of domestic factor inputs for the production of goods and services must provide an avenue for trade in the surplus product for essential external factor inputs. In other words, the nature and magnitude of the required external factor inputs will be in direct response to the restructured economy, with a corresponding change in the composition of exports. The type of GSTP that will maximize these inter-relationships is that which will best meet African concerns. This is the kind of GSTP that developing African countries would like to see emerge and not the type that seeks to maintain the status quo which so far is not development oriented.

47. The Final Act of Lagos calls for the creation and strengthening of sub-regional economic integration groupings in Africa and their gradual linking up into an African Common Market and Economic Community by the year 2000. The primary objective is the achievement of national and collective self-reliance and self-sustained development, by creating a diversified economic base and viable productive capacities within a restructured economy. Meanwhile, sight should not be lost of some of the on-going discussions within the region and at the subregional levels aimed at expanding markets bordering on tariff and non-tariff preferences.

48. Thus, a GSTP should be devised in such a way as to promote these current efforts in the African continent, by avoiding areas and issues that could create conflict.

49. To sum up, given the African background outlined above, GSTP should enable individual countries, after analysing their economic situations, to indicate the crucial external factor inputs (mainly goods) that will contribute to the structural transformation of the economy. The system should in addition allow developing countries to indicate individually the type and level of preferences on a list of

some products that their economies can support without serious social and political problems, or jeopardizing the efforts to create and strengthening subregional and regional economic integration groupings.

50. For the least developed countries, it is clear that this approach would be particularly advantageous in comparison with a linear or uniform approach, the effects of which would neither be uniform nor by themselves necessarily result in increased trade flows.

V. SUGGESTED APPROACH TO A GSTP

51. The suggested approach is a result in part, of some of the observations given in paragraphs 21 to 34. However, each element is reviewed against an African standpoint taking as its point of departure most of the principles and guidelines adopted by the Arusha Ministerial meeting of the Group of 77 [7]. That meeting has become another important landmark in the field of ECDC because it at least refined the general parameters of GSTP negotiations. For example, paragraph A.5 (iv) called for secretariat studies to be analysed and to be followed by regional evaluation through organized meetings of government experts of the Group of 77.

52. Needless to say, there was no precise mandate or commitment in the Arusha Programme for embarking on a multilateral round of negotiations to reduce or abolish tariff and non-tariff barriers among developing countries. However, no matter what approach is finally adopted, it must be recognized that multilateral tariff and non-tariff negotiations as proposed by the UNCTAD secretariat will take a very long time.

53. It is for this reason, among others, that the system envisaged ought to be developed on a step-by-step basis, in contrast with the approach proposed by the UNCTAD secretariat where gradualism is in fact set aside by suddenly plunging directly into a round of multilateral negotiations on tariff and non-tariff cuts [8].

7/ See UNCTAD doc. TD/B/C.7/42 para. 122.

54. The main emphasis in discussing a GSTP so far has centred on increasing trade and economic co-operation among developing countries. A certain amount of trade among developing countries already exists; some of it has in fact been increasing. It therefore follows that the immediate concern should be on finding ways and means, through GSTP, to increase trade above existing levels, by focusing attention on certain key prerequisites for trade expansion. These could include among others, undertaking country studies of tariff profiles and actual trade flows among the GSTP countries, an improvement in the flow of information, supporting services and infrastructural requirements which form the pillars of an effective GSTP, without which tariff preferences would have no direct impact in terms of increasing trade flows.

55. Investment in productive capacity is very important and is relevant to the strengthening of subregional economic integration groupings in order to generate products which would benefit from liberalization, the identification, promotion and establishment of joint industrial ventures for increasing production and employment. These are all important considerations in order to support any trade expansion scheme. After all, trade is not based only on the availability of products, but also on quantity, quality and terms of availability.

56. From the above, one would have wished the Group of 77 to be presented with various policy options, each having been analysed in full in order to expose their respective implications, against the underlying objectives to be achieved. The approach suggested in this paper should be seen as a policy option which in part derives from the experience of negotiating the generalized system of preferences (GSTP). Essentially, it would consist of the following broad elements:

(a) Country-wide studies on their trade flows and tariff profiles. Thus, some of the existing studies like the ones prepared by GATT could form a basis for up-dating most country profile studies in this field.

(b) A decision by the developing countries to grant trade preferences among themselves as from an agreed date. The decision would be ministerial and would be embodied in a protocol, convention, agreement for any other appropriate instrument.

(c) The instrument would have certain essential features based on the agreed principles and guidelines in the Arusha Programme, such as periodic reviews, special measures in favour of the least developed countries, etc.

(d) Developing countries would individually report and inform all other developing countries of the preferences they had given. The initiative to grant preferences would be taken by individual participating developing countries on the basis of their respective economic situations. It would be necessary to agree on the procedures for action in respect of certain excluded products or trade restricting measures in force in particular countries concerned.

(e) The signatories of the instrument would agree to a list of the kinds of preferences to be covered by GSTP. This would be annexed to the instrument and reviewed periodically.

57. In establishing GSTP among developing countries, the system would operate for an agreed initial time-span. Its operation would then be reviewed and the necessity for extension would be considered nearer to the expiration of the initial period. Such review, extension or renegotiation could embody certain new elements that might have become necessary as a result of experience gained in operating the system.

58. Other essential components of the system could consist of the direct trade measures considered earlier in the paper (bilateral and multilateral contracts, payment arrangements and the activities of STOs discussed in paragraphs 28 and 29) which would enhance closer concrete trade co-operation once GSTP has been agreed upon.

59. A major advantage of the proposed approach is its built-in recognition of the differences among developing countries, whether in terms of their levels of development or the varying tariff rates. It should also take account of the efforts and activities at the subregional and regional levels to establish economic integration groups, and would in addition be directly linked with the building and expansion of viable productive capacities at the national and subregional levels.

ANNEX

CHECK LIST OF SOME RELEVANT DOCUMENTATION

1. OAU, What kind of Africa by the year 2000? Monrovia symposium on the future development prospects of Africa towards the year 2000.

2. OAU, Lagos Plan of Action for the Economic Development of Africa 1980-2000.

3. TD/236, Arusha Programme for Collective self-reliance and Framework for negotiations.

4. OAU/ECA, UNCTAD studies on a global system of trade preferences among developing countries (GSTP), state trading organizations and multinational marketing enterprises, E/CN.14/MP.1/116.

5. OAU/ECA, Report of the African Regional Meeting in preparation for the Inter-regional Meeting of the Group of 77 on ECDC, E/CN.14/MP.1/110.

6. TD/B/C.7/32, A Global System of Trade Preferences among Developing Countries : Trade Preferences of the African Economic Cooperation and Groupings.

7. TD/B/C.7/35 (Part I & II), Global System of Trade Preferences among Developing Countries : Rules of origin within a GSTP, with special reference to provisions assuring that preferential measures benefit national development.

8. TD/B/C.7/35 + Add 1 & 2, A Global System of Trade Preferences among Developing Countries; Statistics of Trade among developing countries by country and product (especially III & IV).

9. TD/B/C.7/42, A Global System of Trade Preferences among Developing Countries (GSTP) : Issues for consideration in preparing for GSTP negotiations.

10. ECA/OAU, Report of the First Meeting of the Ministerial Follow-up Committee on International Trade and Finance for African Development, E/CN.14/MP.1/140 EDF CO/TD/1.